

Exporting to Brazil? Try High-Value Products

By Fabiana Borges da Fonseca

With Brazil's leaders pursuing reform, South America's leading economy has been going through a transformation that promises not only tremendous growth, but a considerable consumer market with a population of over 174 million.

Food Sector Dynamic

The good news about the food industry sector is that Brazilians are eating more and better.

The country's food processing industry, which makes up a dynamic portion of its economic scenario, has required heavy investments by domestic companies to maintain competitiveness.

The industry, composed mostly of small- and medium-sized companies, manufactures more than 820 types of products. Despite Brazil's economic slowdown, the 45,000 food processing businesses have demonstrated positive growth.

Brazilian consumers have become better educated and more selective about the price and quality of their foods, and products have vastly improved. The food sector is characterized by a plethora of sophisticated, enhanced products.

In 2000, according to the Brazilian Supermarket Association, the food retail sector accounted for 6.2 percent of Brazil's gross domestic product of \$596 billion. This share was up 12.4 percent from 1999.

Supermarkets (with two or more cashiers) accounted for 92 percent of the retail sector's 61,259 stores. In 2000, supermarket mergers continued, enabling the top 20



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Step by Step, Navigating Customs

Moving goods through Brazilian customs requires a good working relationship between the importer and U.S. exporter. These steps detail the process:

- Exporter and importer determine transaction costs.
- Parties decide on mode of transportation and who will pay for it.
- Broker enters data into SISCOMEX, giving commercial, financial, tax and exchange details of transaction to determine if import licensing is needed.
- Importer authorizes shipment, securing prior approvals if needed.
- Exporter ships goods; sends documentation to importer, such as:
 - Shipping information (bill of lading, or airway bill)
 - Commercial invoice
 - Certificate of origin for international agreement products
 - Phytosanitary certificate if required
- Payment is processed.
- Importer presents documentation to customs and prepares import declaration in SISCOMEX.
- Importer pays taxes and user fees.
- Customs issues an import warrant after verifying merchandise, compliance with tax laws and importer's identity.
- Based on available data, SISCOMEX automatically selects the customs clearance method:
 - Green: Customs clearance authorization is automatically issued.
 - Yellow: Mandatory inspection of documentation is required and, if no evidence of irregularities is found, customs clearance authorization is issued.
 - Red: Mandatory inspection of documentation and of merchandise is required.
 - Gray: Mandatory inspection of documentation, merchandise and taxable basis for import tax is required before customs clearance.
- For options other than green, importer presents collected documentation and proof of customs payments (or waiver thereof) to Brazil's Federal Revenue Office.
- Gray option goods require a further declaration of customs value.
- Products are transported to buyer.



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retail companies to increase their outlets by 12 percent.

The Brazilian food service industry encompasses bars, restaurants, fast food outlets, snack shops, bakeries, pastry shops and industrial catering. The sector purchased \$12.8 billion of processed food items in 2000, representing 23 percent of the food processing industry's gross sales. Purchases by this sector jumped 97 percent from 1995 to 2000.

The industrial segment of food service is still underdeveloped. In 1999, this segment served 7.5 million meals daily. The Brazilian Industrial Caterers Association calculates the long-term daily potential to be over 20 million meals for private companies and 17 million for schools, hospitals and the military.

Because of infrastructure and cold chain shortcomings, food service still struggles to avoid food losses, creating increased demand for dehydrated and pre-cooked products.

Consumer Market Changing

Consumption patterns have changed significantly in the past 30 years. Whatever the food sector, the emphasis is on convenience. According to the Brazilian Geography and Statistics Institute, one of every

five meals is consumed outside the home (one of four in urban areas). Forty percent of women are in the workforce; family size is decreasing; and 9 percent of the popula-

tion lives alone (up 41 percent in the last 18 years).

Retailers today tend to have more sophisticated imports—specialty foods, well-known brands or products new to market. The primary reason an upper income Brazilian consumer purchases an imported product is not so much price as perceived value.

For now, exporters should offer high-end, value-added products that target more affluent consumers. Proper placement, pricing and marketing are also becoming more important factors.

Leaping Export Hurdles

In an attempt to keep the country's commodities competitive, the Brazilian



A Picture of the Brazilian Market

Advantages	Challenges
International companies generate more dynamic trade.	Cultural traits can restrict acceptance of foreign products.
U.S. products are perceived as being of high quality and safe.	A lack of knowledge about U.S. products and brands still exists. Consumers often equate U.S. culinary culture with fast food. This perception gives European products a competitive advantage in targeting niche markets for upper-end consumers.
U.S. exporters are seen as very reliable; much more so than European and other third-country suppliers.	Though dependable, U.S. suppliers are viewed as aloof and too contract-oriented. European businesses are considered very flexible regarding local retailers' demands and more customer-oriented. Local representation is important.
Segmentation and differentiation in the retail sector are opening more opportunities.	Most imported items are not price-competitive with local items. To develop niche markets and generate differentiation, exporters must introduce new high-end products to the market.
U.S. products are the standard for local industry. Major U.S. trade shows are well known and visited.	U.S. suppliers are viewed as one-shot sellers. Developing a long-term relationship with local buyers that involves frequent contact is important.
The trend toward convenience is growing consistently, with urbanites in particular pursuing a healthier lifestyle.	Quality of U.S. products should be highlighted when developing niche markets. Overcome barriers such as the reluctance of importers toward refrigerated items. Local industry has limited experience in handling and marketing such products.

government constantly modifies Brazil's foreign trade regulations. Brazilian importers have their work cut out for them in keeping up with new standards and decrees.

The main Brazilian offices that control agricultural imports are:

- **Ministry of Agriculture, Livestock and Food Supply (MAPA)** oversees and enforces most of the regulations regarding production, import and export of products and sanitary and phytosanitary issues.
- **Ministry of Health (MS)** enforces regulations on processed food products, regardless of origin (similar to the Food and Drug Administration).

Except for poultry, U.S. animal products are allowed into the Brazilian market.

However, these products must come from a federally inspected plant that has the approval of the Brazilian Animal Products Origin Inspection Service (DIPOA).

Unprocessed products of plant origin—such as fruits, seeds and grains—can be exported to Brazil after a pest risk analysis by the Brazilian Plant Health and Inspection Service (DDIV). The product must be accompanied by a phytosanitary certificate from the Animal and Plant Health Inspection Service.

SISCOMEX Sorts Out Imports

In 1997, Brazil computerized import-related activities such as licensing, customs clearance and exchange monitoring via a software program known as the Integrated

Foreign Trade System (SISCOMEX). This system has led to greater transparency for import and export procedures, and it also provides Brazil with a tool to minimize trade deficits and fraud, and better control tax payments.

Before a product enters Brazil, importers must secure transaction and transportation cost documents.

The complexity of the import licensing process depends on the product. Products requiring special approval must have licensing prior to shipment. Products needing prior licensing include those of animal origin, unprocessed products of plant origin and some pre-registered plants.

Payments can be in advance, by collection or by letter of credit. Foreign currency transactions are formalized by a foreign exchange contract issued by the Brazilian Central Bank.

The two most common mistakes that delay the process include exporter documentation not matching SISCOMEX data entered by the importer, and errors by the exporter and/or importer in the product's numerical fiscal classification. ■

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